

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON FINANCE**

**Call to Order:** By **CHAIRMAN BOB KEENAN**, on January 9, 2001 at 5:45 P.M., in Room 303 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Sen. Bob Keenan, Chairman (R)  
Sen. Ken Miller, Vice Chairman (R)  
Sen. Tom A. Beck (R)  
Sen. Chris Christiaens (D)  
Sen. John Cobb (R)  
Sen. William Crismore (R)  
Sen. Greg Jergeson (D)  
Sen. Royal Johnson (R)  
Sen. Bea McCarthy (D)  
Sen. Arnie Mohl (R)  
Sen. Linda Nelson (D)  
Sen. Debbie Shea (D)  
Sen. Corey Stapleton (R)  
Sen. Bill Tash (R)  
Sen. Jon Tester (D)  
Sen. Mignon Waterman (D)  
Sen. Jack Wells (R)  
Sen. Tom Zook (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Prudence Gildroy, Committee Secretary  
Jon Moe, Legislative Branch

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing(s) & Date(s) Posted: SB 113, SB 133, SB 172,  
1/7/2001

Executive Action: None

**HEARING ON SB 113**

**Sponsor:** SEN. LINDA NELSON, SD 49, Medicine Lake

**Proponents:** Jim Oppedahl, Executive Director, Board of Crime Control

**Opponents:** None.

**Opening Statement by Sponsor:** SEN. LINDA NELSON introduced SB 113. She stated that SB 113 was the result of a legislative audit that was done in the interim, and that she served on that committee. When the legislature earmarked many accounts in 1995, it intended that the crime victims compensation be paid from the general fund and they have been, but the corresponding statutes were never changed to reflect that. Prior to 1995, the crime victims' account received 18% of the Highway Patrol fines and forfeitures to operate the crime victim compensation program administered by the Board of Crime Control and this bill simply cleans up the statutes by deleting references to the crime victims account which no longer is functional. The bill is just changing the statutes to reflect what is done.

**Proponents' Testimony:** Jim Oppedahl, Board of Crime Control, stated that the Board of Crime Control, which administers the crime victim compensation program, was told in 1988 by the Legislative Fiscal Division of inconsistencies in the legislation. This new legislation is necessary in order to clarify the conflict that currently exists between actual appropriation practices and the law.

**{Tape : 1; Side : A; Approx. Time Counter : 3.5}**

**Closing by Sponsor:** SEN. NELSON closed on the bill.

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**HEARING ON SB 133**

**Sponsor:** SEN. GREG JERGESON, SD 46, Chinook

**Proponents:** Cathy Muri, Administrator, Accounting and Management Support Division, Department of Administration.

**Opponents:** None.

**Opening Statement by Sponsor:**

SEN. JERGESON, SD 46, Chinook, said that SB 133 was introduced at the request of the Department of Administration. He stated that he spent 14 years on the Legislative Audit Committee. SB 133 is essentially a clean-up bill to revise laws to conform fund type

terminology to the most recent generally accepted accounting principles and amend certain sections in MCA; and provide an effective date. He stated that he consulted with the Legislative Auditor's office on the bill and that the bill was considered a proper bill.

**Proponents' Testimony:**

**Cathy Muri, Department of Administration,** stated that SB 133 is a bill to conform the accounting terminology of Montana statute to comply with the most recent version of generally accepted accounting principles. The Governmental Accounting Standards Board, the standard setting body that sets generally accepted accounting principles for governmental entities, recently established new financial reporting requirements for states and local governments throughout the United States. This change, which will take place with financial reports prepared for fiscal year 2002, is intended to make governmental financial statements more useful to those that use them such as the legislatures, bond rating agencies, investors, creditors, or others who provide money to the state government, such as the federal government. The GASB also wants financial statements to provide more information about the cost of government services than they have in the past. To receive a clean audit opinion on financial statements, state and local governments are required to follow GASB rules. Financial statement users believe that financial statements with clean audit opinions are more reliable. The State of Montana through 72-101 requires its revenues, expenditures and financial position to reflect generally accepted accounting principles. Two accounting fund types are being changed with the proposed legislation--non-expendable trust funds (funds where only earnings are spent, not principle); expendable funds are eliminated and the majority of these become state special revenue funds. One new fund, the Private Purpose Trust Fund, was created to report all trust arrangements other than pension trusts, investment trusts and agency funds. An example is the unclaimed property that eventually reverts to the Public School Fund if not claimed. The purpose of the reclassification is to clearly identify the funds available for government activities from funds that are held in trust for others and can't be used to support government activities, such as pension trust funds.

**Questions from Committee Members and Responses:**

**SEN. WATERMAN** asked about expendable trust funds and Cathy Muri confirmed the expendable trust funds would now be special revenue funds. **SEN. WATERMAN** asked if the Housing Trust Fund would be affected. **SEN. CHRISTIAENS** stated that the last session established the Housing Trust Fund and that it has no money but that as loans are repaid money will funnel into it. **Cathy Muri**

explained that the Housing Trust Fund was not an expendable trust fund but could be a non-budgeted state special revenue fund. She will provide additional information later.

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**SB 172**

**Sponsor:** SEN. ROYAL JOHNSON, SD 5, Billings.

**Proponents:** Curt Nichols, Office of Budget Program Planning.

**Opponents:** None.

**Opening Statement by Sponsor:**

**SEN. ROYAL JOHNSON, SD 5, Billings** introduced SB 172 at the request of the Office of Budget and Program Planning. This was a bill for an act clarifying that distribution of income from certain funds does not include unrealized gains and losses; clarifying that the fund balance for the Resource and Indemnity Trust Fund excludes unrealized gains and losses; amending Sections 15-35-108, 15-38-202, 17-5-703, and 17-5-704, MCA; and providing an immediate effective date. He explained realized and unrealized profit, and unrealized gains in those profits, and how that makes a big difference in the ending fund balance. Over the last year, at the end of the fiscal year there was a 48 million dollar loss in the unrealized loss in the funds. There are about seven entries, so there is 13 million shortage in the general fund. The idea is to stabilize these accounting entries. If there are equities in the fund, there will be fluctuations. If there are fluctuations they would not be shown in the account in spite of the fact that they're there.

**Proponents' Testimony:**

**Curt Nichols, Office of Budget Program Planning**, reported that his office supported the measure. It would make the transfer of trust fund incomes consistent with the way of budgeting. The unrealized gains and losses are not budgeted, so the transfer will exclude those gains and losses and make that consistent. The measure will also clarify that the fund balance excludes unrealized gains and losses.

**Questions from Committee Members and Responses:**

**SEN. COREY STAPLETON** asked how the income is determined if gains and losses are not used; he wanted to know how that helped. **SEN. JOHNSON** explained that the funds that were being talked about were funds that were invested primarily in fixed income assets (bonds). Once the bond is purchased, the coupon reflects the total return. That return does not change no matter which direction that bond goes. On that basis, the book value of the bond at purchase is where they place it on the books. The fact

that it goes up and they don't sell it, doesn't do anything in the account. If the realized gain is sold, then they pay that out. If the bond is not sold, nothing has really been lost.

**SEN. STAPLETON** re-stated that currently the information is shown and that negatively affects the account. **SEN. JOHNSON** confirmed his statement.

**SEN. DEBBIE SHEA** asked about the status of the RIT Account. Curt Nichols answered that the account was at about 98 million, and was expected to reach 100 million in 2002.

**Closing by Sponsor:**

**SEN. JOHNSON** said there was a wording change in the bill. On page 3 on the bottom of the page on line 26, the language is "unrealized gains and losses". In another place, the phrase "book value" is used. In place of "book value" the words "balance exceeding of unrealized gains and losses" would be used. He asked the committee to add the amendment concerning the language change to the bill.

**ADJOURNMENT**

Adjournment: 6:30 P.M.

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SEN. BOB KEENAN, Chairman

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PRUDENCE GILDROY, Secretary

BK/PG

**EXHIBIT** (fcs06aad)